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SCOTTISH & YORK

Annual Report

1968



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Scottish & York Holdings Limited

Board of Directors

S. F. CHAPMAN
K. H. DOYLE
A. D. McEWEN
S. L. McCABE
K. R. THOMSON
J. A. TORY

Officers

K. R. THOMSON
K. H. DOYLE
S. F. CHAPMAN
S. L. McCABE

Transfer Agents

MONTREAL TRUST COMPANY

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON

Bank

THE ROYAL BANK OF CANADA

Executive Office

100 UNIVERSITY AVENUE, TORONTO, CANADA

Scottish & York Holdings Group

SCOTTISH & YORK INSURANCE COMPANY LIMITED

OFFICERS

The Rt. Hon. Lord Thomson of Fleet

K. H. Doyle

S. F. Chapman

S. L. McCabe

VICTORIA INSURANCE COMPANY OF CANADA

OFFICERS

The Rt. Hon. Lord Thomson of Fleet

K. H. Doyle

S. F. Chapman

S. L. McCabe

VICTORIA INSURANCE COMPANY LIMITED

(NASSAU, BAHAMAS)

CENTRAL CANADA INSURANCE SERVICE LIMITED

ONTARIO INSURANCE SERVICE

OVERSEAS INSURANCE SERVICES

(UNITED KINGDOM)

To the Shareholders:

This annual report covers a most satisfactory year. Total net underwriting and investment income rose by 49% in 1968. Gross premiums written increased by 15% during the year. Net premiums rose by \$2,267,000 an increase of 49% over the prior year. Our operations continue to expand on a sound basis. We remain dedicated to the philosophy that underwriting must be conducted at a profit and refuse to accept the theory that insurance companies can survive on their investment income only. While investment income plays a big role in the operation of an insurance company, underwriting profit is always foremost in our mind.

Re-insurance assumed from other insurance companies in the last half of 1968 was somewhat disappointing. We feel that this is not a continuing trend and this class of business should be more favourable in the future. Our new re-insurance company, Victoria Insurance Company Limited, lived up to expectations and its non-taxable profit, coupled with increased dividend income from investments in Canadian companies, tended to reduce our average rate of income tax to that of other general insurance companies.

We have recently extended our operations to include the underwriting of aviation business. Your company has established an underwriting pool with several other insurance companies to be managed by Aerospace Agency Inc., New York City, New York. Prospects in this class appear very favourable and we can foresee substantial gains in the future.

Effective January 15th, your directors increased the rate of dividend on our common shares by 20%. Our policy of paying out a reasonable portion of earnings in dividends will be continued in the future.

The outlook of general insurance companies appears to be very favourable and your company is well situated to fully participate in the growth of this industry. Enclosed with this report is a notice of the Annual Meeting of the shareholders to be held on the 27th day of May, 1969.

Once more it is my pleasure to express the appreciation of the directors to the officers and staff of your company for their efforts throughout the year.

Submitted by the board of Directors,

K. H. DOYLE, *President.*

Scottish & York Holdings Limited
and subsidiary companies

Auditors' Report

TO THE SHAREHOLDERS OF

SCOTTISH & YORK HOLDINGS LIMITED

We have examined the consolidated balance sheet of Scottish & York Holdings Limited and its subsidiary companies as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
CHARTERED ACCOUNTANTS

Toronto, Canada

March 25, 1969

Scottish & York Holdings Limited

(Incorporated under the laws of Ontario)

and subsidiary companies

Consolidated Balance Sheet — December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

CURRENT ASSETS	1968	1967
Cash	\$ 790,562	\$1,090,793
Marketable securities		
Bonds, at cost or amortized cost and accrued interest (market value 1968, \$3,748,847; 1967, \$2,358,367)	4,138,858	2,624,656
Stocks, at cost (market value 1968, \$1,752,104; 1967; \$1,051,973)	1,865,380	1,098,115
Accounts receivable	1,487,170	1,542,174
Special refundable tax	30,431	
Prepaid expenses		2,889
	<u>8,312,401</u>	<u>6,358,627</u>
FIXED ASSETS		
Furniture, fixtures and automobiles, at cost ...	63,785	48,724
Less accumulated depreciation	35,741	32,729
	<u>28,044</u>	<u>15,995</u>
OTHER ASSETS		
Investment, at cost		1,651
Special refundable tax		30,438
Agencies, agreements and contracts, at cost	110,116	110,116
Premium paid on acquisition of shares of subsidiary companies	65,037	65,037
	<u>175,153</u>	<u>207,242</u>
	<u>\$8,515,598</u>	<u>\$6,581,864</u>

Approved by the Board

K. H. DOYLE, *Director*

S. F. CHAPMAN, *Director*

LIABILITIES

CURRENT LIABILITIES	1968	1967
Bank loan		\$ 250,000
Accounts payable and accrued liabilities	\$ 636,008	670,036
Customers' deposits	26,250	30,750
Dividends payable	90,000	75,000
Provision for outstanding claims	2,766,025	1,821,344
Income, premium and special refundable taxes payable	139,164	102,021
	<u>3,657,447</u>	<u>2,949,151</u>
DEFERRED REVENUE	<u>1,946,976</u>	<u>1,480,032</u>
INTEREST OF MINORITY COMMON SHAREHOLDERS OF SUBSIDIARY COMPANIES	<u>24,897</u>	<u>22,104</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
10,000 First preference shares, par value		
\$50 each, issuable in series		
2,000,000 Common shares without par value		
Issued		
1,500,000 Common shares	501,000	501,000
RETAINED EARNINGS	<u>2,385,278</u>	<u>1,629,577</u>
	<u>2,886,278</u>	<u>2,130,577</u>
	<u><u>\$8,515,598</u></u>	<u><u>\$6,581,864</u></u>

Scottish & York Holdings Limited

and subsidiary companies

Consolidated Statement of Income

YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Gross premiums written and other income	\$9,708,146	\$8,331,851
Income before income taxes	<u>1,534,344</u>	<u>1,159,530</u>
Income taxes	<u>460,850</u>	<u>441,951</u>
	1,073,494	717,579
Interest of minority common shareholders of subsidiary companies	<u>2,793</u>	<u>4,620</u>
Net income for the year	<u>\$1,070,701</u>	<u>\$ 712,959</u>

Consolidated Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Balance at beginning of year	\$1,629,577	\$1,111,618
Net income for the year	<u>1,070,701</u>	<u>712,959</u>
	2,700,278	1,824,577
Dividends on common shares	<u>315,000</u>	<u>195,000</u>
Balance at end of year	<u>\$2,385,278</u>	<u>\$1,629,577</u>

Scottish & York Holdings Limited

and subsidiary companies

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
SOURCE OF FUNDS		
Operations		
Net income for the year	\$1,070,701	\$ 712,959
Add items not involving a current outlay of funds		
Depreciation	9,103	4,704
Interest of minority common shareholders of subsidiary companies	2,793	4,620
	<u>1,082,597</u>	<u>722,283</u>
Increase in deferred revenue	466,944	389,616
Sale of fixed assets	2,392	1,946
Special refundable tax reclassified	30,438	
Other	1,651	
	<u>1,584,022</u>	<u>1,113,845</u>
APPLICATION OF FUNDS		
Additions to fixed assets	23,544	2,570
Special refundable tax		5,582
Other investments		151
Dividends on common shares	315,000	195,000
	<u>338,544</u>	<u>203,303</u>
Increase in working capital	1,245,478	910,542
Working capital at beginning of year	3,409,476	2,498,934
Working capital at end of year	<u>\$4,654,954</u>	<u>\$3,409,476</u>

Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1968

1. BASIS OF CONSOLIDATION

The consolidated financial statements include all the subsidiary companies, which are:

Scottish & York Insurance Co. Limited
Central Canada Insurance Service Limited
Victoria Insurance Company of Canada
Victoria Insurance Company Limited

2. OTHER STATUTORY INFORMATION

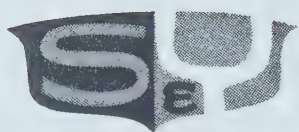
	<u>1968</u>	<u>1967</u>
Direct remuneration of directors and senior officers (as defined by The Corporations Act)	\$76,715	\$57,800
Depreciation	9,103	4,704

Scottish & York Holdings Group
5 year Performance Record

	Gross Premiums Written	Net Premiums Written	Deferred Revenue	Income Before Taxes	Income Taxes	Net Income	Earnings Per Share	Dividends Paid Per Share
1968	9,068,256	6,893,469	1,946,976	1,534,344	460,850	1,070,701	.714¢	.21¢
1967	7,873,037	4,626,134	1,480,032	1,154,910	441,951	712,959	.475¢	.13¢
1966	6,580,000	3,604,772	1,090,416	924,306	233,636	690,670	.46¢	.073¢
1965	4,415,409	1,451,313	364,206	536,555	127,231	409,324	.27¢	.067¢
1964	2,969,291	1,155,478	582,167	367,214	173,040	194,174	.13¢	.046¢

Note: Per share amounts prior to 1967 adjusted for three-for-one subdivision of capital stock made in November 1967 and two-for-one subdivision of capital stock made in June 1966.

—NOTES—



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SCOTTISH & YORK

INTERIM REPORT

JUNE 30, 1968

SCOTTISH & YORK HOLDINGS LIMITED
and its Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

Six months ended June 30th, 1968

	<u>1968</u>	<u>1967*</u>
Gross Premiums Written and Other Revenue	\$4,224,304	\$3,788,000
Net Income Before Taxes	792,657	717,052
Provision for Taxes	226,492	348,980
Net Income After Taxes	566,165	368,072
Profit per Share	.38¢	.245¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended June 30th, 1968

	<u>1968</u>	<u>1967*</u>
Source of Funds		
Operations		
Net Income for the Six Months	\$ 566,165	\$ 368,072
Add Items not Involving a Current Outlay of Funds		
Depreciation	3,600	—
Interest of Minority Common Shareholders of Subsidiary Companies	1,476	2,460
	<u>571,241</u>	<u>370,532</u>
Increase in Deferred Revenue	525,768	49,657
	<u>1,097,009</u>	<u>420,189</u>
Application of Funds		
Additions to Furniture, Fixtures and Automobiles	14,120	1,279
Dividends to Common Shareholders	150,000	75,000
	<u>\$ 164,120</u>	<u>\$ 76,279</u>
Increase in Working Capital	932,889	343,910
Working Capital at Beginning of Period	3,409,476	2,411,309
	<u>\$4,342,365</u>	<u>\$2,755,219</u>
Current Assets	<u>\$7,022,220</u>	<u>\$5,081,902</u>
Current Liabilities	<u>2,679,855</u>	<u>2,326,683</u>
	<u>\$4,342,365</u>	<u>\$2,755,219</u>

August 23, 1968.

K. H. Doyle,
President.

*Restated to reflect year-end adjustments made in 1967 Annual Report.

Subject to audit and year-end adjustments.

SCOTTISH & YORK HOLDINGS LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Scottish & York Holdings Limited (hereinafter called the "Company") of proxies to be used at the annual meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Company. The cost of the solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are directors of the Company. **A shareholder has the right to appoint a person to represent him at the meeting other than the persons designated in the accompanying form of proxy.** Such right may be exercised by inserting in the space provided the name of the other person the shareholder wishes to appoint. Such other person need not be a shareholder.

The shareholder executing the accompanying form of proxy has the power to revoke it at any time insofar as it has not been exercised.

VOTING OF PROXIES

The shares represented by the accompanying form of proxy will be voted and where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares will be voted in accordance with the specification so made. **Such shares will be voted for the approval of any matter for which no specification has been made.**

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting. At the date of this information circular, the management of the Company knows of no such amendments, variations or other matters. If matters which are not known at the date hereof should properly come before the meeting the form of proxy will be voted on such matters in accordance with the best judgment of the person voting it.

VOTING SHARES AND PRINCIPAL HOLDER THEREOF

As of the date hereof the Company has outstanding 1,500,000 common shares without par value. Each common share entitles the holder of record, as of the date of the meeting, to one vote on all matters to come before the meeting. As of the date hereof, The Standard St. Lawrence Company Limited is the beneficial owner of 749,400 common shares of the Company representing 49.96% of the outstanding common shares of the Company. To the knowledge of the directors or senior officers of the Company, no

other person or company beneficially owns, directly or indirectly, more than ten per cent (10%) of the outstanding common shares of the Company.

ELECTION OF DIRECTORS

The Board consists of six directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting or until his successor is elected, unless his office is earlier vacated in accordance with the by-laws.

The following summary sets forth the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments at present and during the past five years, their periods of service as directors of the Company, and the approximate number of common shares of the Company beneficially owned, directly or indirectly, by each of them as of April 29, 1968.

	<u>Period of Service as Director</u>	<u>Common Shares Owned</u>
SIDNEY F. CHAPMAN, C.A. Secretary-Treasurer of the Company and Vice-President and Secretary- Treasurer, Thomson Newspapers Limited (Newspaper Publishers) 3-8894	1961 to date	—
KENNETH H. DOYLE, President of the Company	1961 to date	90,200
ST. CLAIR L. MCCABE, Vice-President of the Company and Executive Vice-President and Managing Director, Thomson Newspapers Limited	1961 to date	45,000
A. D. McEWEN, Director, Equitable Brokers Limited (Stockbrokers)	1965 to date	—
K. R. THOMSON, Chairman of the Board of the Company and Chairman of the Board and President, Thomson Newspapers Limited and, since January 1, 1968, Chairman, Times Newspapers Limited, London, England (Newspaper Publishers)	1961 to date	—

JOHN A. TORY, Q.C.
Partner,
Tory, Tory, DesLauriers & Binnington
(Solicitors)

1961 to date

450

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company during the fiscal year ended December 31, 1967 was \$57,800.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, Toronto, Ontario as auditors of the Company to hold office until the next annual meeting of shareholders. Thorne, Gunn, Helliwell & Christenson or their predecessors, Thorne, Mulholland, Howson & McPherson, have been the auditors of the Company for more than five years.

GENERAL

Information contained herein is given as of April 29, 1968. The management of the Company knows of no matter to come before the annual meeting of shareholders other than the matters referred to in the notice of meeting.

By Order of the Board

S. F. CHAPMAN, C.A.
Secretary-Treasurer

Dated April 29, 1968

